

**OVERSIGHT BOARD TO THE FORMER  
COMMUNITY REDEVELOPMENT AGENCY  
OF THE CITY OF COMPTON  
STAFF REPORT**

**DATE:       APRIL 17, 2013**

**TO:           THE HONORABLE CHAIR AND BOARD MEMBERS**

**FROM:       EXECUTIVE DIRECTOR**

**SUBJECT:    UPDATE ON DEPARTMENT OF FINANCE (DOF) COMMUNICATIONS**

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**BACKGROUND:**

At the direction of the Oversight Board, Successor Agency staff is to provide a monthly report on communication between the Successor Agency and the State Department of Finance (DOF). To that extent, this is the Successor Agency's monthly report to the board regarding communication with the DOF.

**DISCUSSION:**

Since the last Oversight Board meeting on March 20, 2013, the Successor Agency has had the following correspondence with the DOF:

- 1.) March 19, 2013: Received a letter of determination from DOF regarding the Due Diligence Review (DDR) – Other Funds
  - a. Friday, March 22, 2013: Staff submitted a Meet and Confer request to DOF regarding the DDR – Other Funds
- 2.) March 19, 2013: Received a letter from DOF requesting supporting documentation for various ROPS 13-14A items
  - a. Staff is submitting additional documentation to DOF
- 3.) April 4, 2013: Staff participated in a Meet and Confer with the DOF regarding DDR – Other Funds remittance request
  - a. Staff is submitting additional documentation to DOF
- 4.) April 9, 2013: Conference call with DOF regarding Repayment Plan for DDR – LMIHF Funds
  - a. Successor Agency to submit a payment plan to DOF

Successor Agency staff has met with its General Counsel, Executive Director and the City Controller regarding each of the items referenced above and responded to DOF accordingly. Upon submission of the Agency's response letter to the DOF, staff will provide a copy to the Oversight Board.

**RECCOMENDATION:**

Staff recommends the Board receive and file this report.

**DR. KOFI SEFA-BOAKYE**  
**DIRECTOR**

**APPROVED FOR FORWARDING:**

**G. HAROLD DUFFEY**  
**EXECUTIVE DIRECTOR**

Attachments:

DOF Letter ROPS 13-14A – Request for Supporting Documentation

DOF Letter DDR – Other Funds: Request for Supporting Documentation

**ROPS 13-14A DOCUMENT REQUEST**  
**Compton**

Item #	Document Request
7, 9, 21, 44, 50, 61, 75, 99, 107, 136, 150, 163, 165, 166, 168, 171	Contract/agreement - for those with no contract, please submit invoice and cancelled check or bank statement illustrating cost.



March 19, 2013

Mr. Kofi Sefa-Boakye, Director  
City of Compton  
205 South Willowbrook Avenue  
Compton, CA 90220

Dear Mr. Sefa-Boakye:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Compton successor agency (Agency) submitted an oversight board approved Other Funds and Accounts (OFA) Due Diligence Review (DDR) to the California Department of Finance (Finance) on January 15, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Pursuant to HSC section 34179.6 (d), Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of OFA available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Cash transfers to the City of Compton in the amount of \$4.3 million are disallowed. It is our understanding these transfers occurred from March 2011 through January 2012. \$4.1 million was transferred per City resolution no. 23327 and 16651 for the Agency's proportionate reimbursement share of general liability expenses and \$200,000 for reimbursement of costs incurred by the City. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. Therefore, the City resolutions and reimbursements are not enforceable and the OFA balance available for distribution to the taxing entities will be adjusted by \$4.3 million.
- Cash reserves in the amount of \$1.2 million for disbursements made by the City's general fund for bond project related expenses do not qualify as legally restricted assets. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. Cash disbursed by the City does not legally restricted Agency funds. Therefore, the OFA balance available for distribution to the affected taxing entities will be adjusted by \$1.2 million.

- The DDR requests to retain 982,832 for fiscal year 2012-13 obligations. Included in this amount are 982,832 of January through June 2013 Recognized Obligation Payment Schedule (ROPS III) expenditures that were approved with Redevelopment Property Tax Trust Fund (RPTTF) funding. Since the County Auditor Controller distributed RPTTF for approved ROPS III obligations on January 2, 2013, after the June 30, 2012 OFA balances delineated in the DDR, it is inappropriate for the Agency to retain current OFA balances for obligations that have already been funded through a separate process. Therefore, the OFA balances available for distribution to the taxing entities will be adjusted by \$982,832.

If you disagree with Finance's adjusted amount of OFA balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's OFA balance available for distribution to the affected taxing entities is \$6,499,473 (see table on the next page).

<b>OFA Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ -
Finance Adjustments	
Add:	
Disallowed transfers:	\$ 4,305,700
Adjustment to the legally restricted asset balance:	\$ 1,210,941
Requested restricted balance not supported:	\$ 982,832
<b>Total OFA available to be distributed:</b>	<b>\$ 6,499,473</b>

Absent a Meet and Confer request, HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient. Upon submission of payment, it is requested you provide proof of payment to Finance within five business days.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and

the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter do not in any way eliminate the Controller's authority.

Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY

Local Government Consultant

cc: Mr. Michael Antwine, Deputy Director, City of Compton  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office